

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 NSC-05 OMB-01
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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 7771

INFO AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY SEOUL

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E.O. 11652: GDS

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SUBJECT: RECENT LOANS BY FOREIGN BANKS

1. THE FOLLOWING LOANS HAVE BEEN MADE RECENTLY BY FOREIGN BANKS TO ROC COMPANIES.

2. THE TAIPEI BRANCH OF CHEMICAL BANK AGREED ON MARCH 23 TO LEND US\$9 MILLION TO THE YUE LOONG MOTOR COMPANY FOR FIVE YEARS, WITH INTEREST AT 1 3/4 PERCENT OVER THE SINGAPORE INTERBANK OFFERED RATE (SIBOR). THE PROCEEDS WILL BE USED TO IMPORT CAPITAL EQUIPMENT FROM THE U.S., JAPAN, AND GERMANY FOR A DIESEL ASSEMBLY LINE. TERM AND INTEREST RATE FOR THIS LOAN WERE NOT PUBLICLY ANNOUNCED AND ARE COMMERCIALY SENSITIVE.

3. A CHEMICAL BANK OFFICIAL DISCLOSED TO EMBASSY THAT CHEMICAL HAS ALSO RECENTLY MADE A LOAN OF US\$1 MILLION TO THE TAIWAN GLASS CORPORATION (A PRIVATE ROC COMPANY) FOR TWO YEARS. THE MONEY WILL BE USED TO BUILD A STEMWARE AND
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SHEET GLASS PLANT. CHEMICAL BANK DOES NOT PLAN TO DISCLOSE THIS LOAN PUBLICLY.

4. THE TAIPEI BRANCH MANAGER OF UNITED CALIFORNIA BANK (UCB) DISCLOSED TO EMBASSY THAT UCB HAS RECENTLY MADE A LOAN OF US\$3 MILLION TO THE WEI CHUAN FOOD INDUSTRIES COMPANY, LTD., A PRIVATE ROC COMPANY. TERMS: 3 YEARS,

WITH INTEREST AT 1 3/4 PERCENT OVER LIBOR. UNITED CALIFORNIA BANK DOES NOT EXPECT TO ANNOUNCE THIS LOAN PUBLICLY.

5. THE CHASE MANHATTAN BANK AGREED IN MARCH TO LOAN US\$7 MILLION TO THE CHINA PETROCHEMICAL DEVELOPMENT CORPORATION, A SUBSIDIARY OF THE CHINA PETROLEUM COMPANY, AN ROC GOVERNMENT ENTERPRISE. TERM: SEVEN YEARS, WITH INTEREST AT 1 1/8 PERCENT OVER LIBOR: GUARANTOR IS MINISTRY OF FINANCE. INTEREST RATE IS COMMERCIALY SENSITIVE.

6. CHASE MANHATTAN ASIA LIMITED (HONG KONG) WAS THE LEAD BANK IN A SYNDICATE WHICH AGREED ON MARCH 20 TO LOAN US\$73 MILLION TO THE TAIWAN POWER COMPANY. OTHER BANKS IN THE SYNDICATE ARE CHEMICAL BANK, MORGAN GUARANTY, FIRST NATIONAL BANK OF BOSTON, TORONTO DOMINION BANK, BANK OF HAWAII, CITY NATIONAL BANK OF DETROIT, FIRST PENNSYLVANIA BANK, INTERNATIONAL BANK OF SINGAPORE, PITTSBURGH NATIONAL BANK, UNITED VIRGINIA BANK, AND PROVINCIAL BANK OF CANADA. ONE PART OF THE LOAN, US\$53 MILLION, WILL MATURE IN SIX YEARS, WITH INTEREST AT 1 PERCENT OVER LIBOR FOR THE FIRST THREE YEARS AND AT 1 1/8 PERCENT OVER LIBOR THEREAFTER. THE LOAN OF US\$20 MILLION (THE SUBJECT OF A SEPARATE AGREEMENT BETWEEN THE SAME PARTIES) WILL HAVE A TERM OF 9 LIMITED OFFICIAL USE

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YEARS, WITH INTEREST AT 1 3/8 PERCENT OVER LIBOR. PROCEEDS OF BOTH LOANS WILL BE USED IN THE CONSTRUCTION OF THREE 500MW THERMAL POWER UNITS. THE TOTAL COST OF THESE UNITS IS ESTIMATED AT US\$680 MILLION. THE U.S. EXIMBANK HAS AGREED TO LEND US\$116.8 MILLION FOR THE PROJECT.

7. THE BARING AND SANWA BANK, A JOINT VENTURE BANKING INSTITUTION LOCATED IN HONG KONG, HAS AGREED TO LOAN US\$5 MILLION TO THE CHINA INVESTMENT AND TRUST COMPANY. TERMS OF THE TWO LOANS INVOLVED: FIVE YEARS, WITH INTEREST AT LIBOR PLUS 1.3 PERCENT (FOR US\$2 MILLION) AND KIBOR PLUS 1.50 PERCENT (FOR US\$3 MILLION). PURPOSE OF THE LOANS: TO HELP LOCAL INDUSTRIES IMPORT CAPITAL EQUIPMENT, BY ON-LENDING FROM THE CHINA INVESTMENT AND TRUST COMPANY. CONTINENTAL ILLINOIS NATIONAL BANK HOLDS A 29 PERCENT INTEREST IN THE CHINA TRUST AND INVESTMENT COMPANY. THE LOANS; INCLUDING TERMS, WERE ANNOUNCED PUBLICLY ON MAY 7.

8. CONTINENTAL ILLINOIS NATIONAL BANK, THE INVESTMENT COMPANY OF ASIA (SINGAPORE) AND THE U.S. EXPORT-IMPORT BANK HAVE AGREED TO LOAN US\$10 MILLION TO THE CHUNG HSING

PAPER COMPANY TO ENABLE THE COMPANY TO PURCHASE HIGH SPEED PRINTING PRESSES. TERMS: 7 YEARS, WITH INTEREST AT 1 1/2 PERCENT OVER LIBOR. GUARANTOR: ROC MINISTRY OF FINANCE. CONTINENTAL ILLINOIS WILL LOAN US\$4.5 MILLION, AND THE INVESTMENT COMPANY OF ASIA WILL SUPPLY US\$1 MILLION. THE REMAINING US\$3.5 MILLION WILL COME FROM THE U.S. EXIMBANK.

9. THE FOLLOWING LOAN ARRANGEMENTS ARE UNDER NEGOTIATION.

NOTE BY OC/T: POSSIBLE DUPLICATE MESSAGE.
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EMBASSY WILL REPORT WHEN FINAL CONTRACTS HAVE BEEN SIGNED.

10 AN OFFICIAL OF THE TAIPEI BRANCH OF CITIBANK DISCLOSED TO THE EMBASSY THAT CITIBANK EXPECTS TO SIGN AN AGREEMENT IN JUNE TO LOAN US\$10 MILLION TO THE GROC'S DIRECTORATE GENERAL OF TELECOMMUNICATIONS (DGT). THE TERM WILL BE SEVEN YEARS, WITH INTEREST AT 1 PERCENT OVER LIBOR. GUARANTOR: THE ROC'S MINISTRY OF FINANCE. PURPOSE OF THE LOAN IS TO FINANCE IMPORTS OF TELECOMMUNICATION EQUIPMENT FROM EUROPE.

11. UNITED CALIFORNIA BANK AND CHASE MANHATTAN BANK EXPECT FINAL ROC APPROVAL BY THE END OF JUNE FOR A LOAN OF US\$13.5 MILLION TO THE TAIWAN METAL MINING CORPORATION, AN ROC GOVERNMENT ENTERPRISE. THE TERM OF THE LOAN WILL BE SEVEN YEARS, WITH INTEREST AT 1.125 PERCENT OVER

LIBOR. PURPOSE: CONSTRUCTION OF A COPPER SMELTING FACILITY, WITH A CAPACITY OF 50,000 MT, AND A SULFURIC ACID PLANT. THE LOAN WILL BE GUARANTEED BY THE MINISTRY OF FINANCE. TERMS OF THE LOAN HAVE ALREADY BEEN PUBLICLY LIMITED OFFICIAL USE

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ANNOUNCED.

12. AT LEAST TWO GROUPS OF BANKS ARE BIDDING TO LOAN US\$150 TO US\$200 MILLION TO THE TAIWAN POWER COMPANY. A DECISION IS EXPECTED SOMETIME THIS MONTH. IT APPEARS THAT THE INTEREST RATE WILL BE 3/4 OR 7/8 PERCENT OVER LIBOR, WITH A 10 YEAR MATURITY PERIOD. HORST SCHNOES, MANAGER OF THE TAIPEI OFFICE OF BANKERS TRUST COMPANY, DISCLOSED TO EMBASSY THAT THE ROC'S MINISTRY OF FINANCE WILL PROBABLY SELECT A RIVAL U.S. BANK AS THE LEAD MANAGER FOR THIS SYNDICATED LOAN, EVEN THOUGH THE TERMS OFFERED ARE NOT AS FAVORABLE AS THOSE OF BANKERS TRUST. HE STATED THAT THE MINISTRY OF FINANCE FEARED THAT BANKERS TRUST WOULD HAVE DIFFICULTY IN ASSEMBLING A SYNDICATE AT THE LOWER RATE, AND THEREFORE, TO AVOID ANY POSSIBLE BLEMISH ON THE ROC'S CREDIT REPUTATION, APPEARED LIMITED OFFICIAL USE

READY TO APPROVE A HIGHER RATE, EVEN THOUGH THE SAME MOF WAS ONLY TWO WEEKS AGO PRESSING FOR THE LOWEST POSSIBLE RATE. SCHNOES NOTED THAT THE MANAGING BANK WOULD TAKE THE RISK OF NOT BEING ABLE TO SYNDICATE THE LOAN, SO THE PROCEEDS TO TAIWAN POWER WOULD BE THE SAME, REGARDLESS OF WHICH BANK WAS SELECTED.

13. THE CHINA STEEL COMPANY REPORTEDLY IS IN THE MARKET FOR A LOAN OF US\$300 TO US\$350 MILLION, POSSIBLY SPLIT INTO CHUNKS OF US\$50 MILLION, EACH FROM A SEPARATE BANK. TERMS: ABOUT NINE YEARS, WITH INTEREST AT LESS THAN 1 PERCENT OVER LIBOR. FINAL DECISION IS EXPECTED SOMETIME THIS YEAR.

14. CHINA AIRLINES WILL BORROW US\$50 MILLION FOR THE LIMITED OFFICIAL USE

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PURCHASE OF A BOEING 747-200B AIRCRAFT. THE MINISTRY OF FINANCE AND CHINA AIRLINES HAVE NOT YET DECIDED WHETHER TO UTILIZE EXIMBANK OR PRIVATE COMMERCIAL BANK RESOURCES FOR THIS LOAN.

15. THE ABOVE LISTS ARE BY NO MEANS COMPLETE, SINCE MANY U.S. BANKS DO NOT REVEAL THE DETAILS OF THEIR NON-SYNDICATED LOAN PORTFOLIOS. COMPETITION FOR BUSINESS BY U.S. BANKS IN TAIWAN REMAINS TIGHT, ALTHOUGH SOME BANKS SAY THEY ARE NOT LOOKING FOR BUSINESS AT THE CURRENT MARKET RATES. MOST BANKS ARE INTERESTED IN BIDDING FOR UPCOMING LOANS TO TAIPOWER, CHINA STEEL, AND CHINA AIRLINES. UNGER

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